

## GOVERNOR KATHLEEN BABINEAUX BLANCO

### 2005 SPECIAL LEGISLATIVE SESSION

November 22, 2005

*“Katrina and Rita altered the fabric of our society. They changed our geography. They shattered our communities. They scattered our citizens. We pulled together to get through Katrina. We pulled together to get through Rita. And we are pulling together tonight to expand on our efforts underway to rebuild our state safer, stronger and better than before.”*

--Gov. Kathleen Babineaux Blanco, Nov. 6

### **CREATING GOOD SCHOOLS FOR THE CHILDREN OF ORLEANS HB 121 REP. CRANE AND SEN. DUPLESSIS**

**Hurricanes Katrina and Rita have given the State opportunities to improve the lives of our citizens, particularly our children.** If we are to bring back New Orleans, we need to bring back our schools....and we need to bring them back better than before. We can not afford to rebuild failing schools. People simply won't bother to return. It took the storm of a lifetime, to create the opportunity of a lifetime. This is the opportunity to start anew in a thoughtful, organized and measured way that serves every child in the City of New Orleans.

**The Recovery School District legislation focuses on New Orleans schools in academic crisis, which had ample opportunities to improve over the past decade.**

- HB 121 focused on school districts in academic crisis -- meaning that 50% of its students are in failing schools, or at least 30 schools are identified as Academically Unacceptable.
- When a district is identified as academically “in crisis” the state will take responsibility for every school below the state average, placing them in the Recovery School District.
- Once in the Recovery School District, the State Department of Education will be able to run those schools, or find a provider with a proven record of success to run them. This is similar to what the Department of Education is doing with failing schools throughout the state, only on a larger scale.

**New Orleans must come back stronger than before, and education is one of the key places to begin the transformation. We can make New Orleans education a model for the nation.** Giving these schools a fresh start is an important first step in turning around the Orleans Parish School System. Good schools will bring people back to the city they love. And it will also send a clear message across the country that Louisiana is prepared to take bold new steps in pursuit of educational excellence. In order for New Orleans to re-populate, re-build and recover, we must have quality schools for children to attend.

**Louisiana believes strongly in public education, but New Orleans needs to consider a combination of solutions to advance in the future.** The State will use innovative thinking, help from proven partners, and rely on the charter school model as one of our options. Quality public education is the measure of strong and healthy communities. A quality school system must be part of a rebuilt New Orleans. Returning families will bring expectations of quality education.

**Governor Blanco believes that schools should be the centerpiece of neighborhoods and communities.** Schools should be the cornerstone for redevelopment and should be placed in areas where residents have access to health centers, libraries, parks and other valuable resources vital to the development of a thriving city. This is a once-in-a-lifetime opportunity to join hands, work together and rebuild New Orleans with a focus on education, a focus on children, and a focus on the future.

### **CREATING THE FOUNDATION FOR COASTAL PROTECTION SB 27 and SB 71 SEN. DUPRE AND REPS. ALARIO AND BALDONE**

**Coastal protection and hurricane protection are the foundation of a restored south Louisiana.** Governor Blanco feels strongly that integration of coastal and hurricane protection is essential if we are to rebuild and protect coastal Louisiana.

That's why she proposed historic legislation to place responsibility for direction and development of state's comprehensive master coastal protection plan in a Coastal Protection and Restoration Authority. This integration will allow us to achieve true coastal protection for south Louisiana.

**Insuring that communities are safe from hurricanes and flooding is the key to recovery.** Governor Blanco believes that making sure our communities are safe from future storms will be the determining factor in whether or not our citizens and businesses return, rebuild and reinvest in those communities. We must ensure their safety or there cannot be real economic recovery.

**Imposing a high level of accountability is important to persuading leaders in Washington that Louisiana will no longer engage in business as usual.** The Governor also believes there must be a very high level of accountability from levee boards and aggressive oversight by the State of Louisiana. Under the Governor's leadership, the state will assume primary responsibility for coastal protection, including taking responsibility for the state's hurricane protection system.

***SB 71 imposes a strong accountability system for coastal protection. The bill:***

- Requires levee districts to comply with the comprehensive coastal protection master plan and would give the Coastal Protection and Restoration Authority the power to enforce that compliance.
- Expands the existing responsibilities and the membership of the State Wetlands Authority. It does not create yet another level of bureaucracy, but works within an existing Authority. It does NOT require the expenditure of more general fund dollars. It does NOT include levee districts in non-coastal areas that would not have to comply with the master plan.
- The Authority is re-named the Coastal Protection and Restoration Authority and will coordinate a comprehensive and integrated hurricane protection and coastal restoration program.

**A THREE-DAY SALES TAX HOLIDAY TO HELP BUSINESSES AND CONSUMERS  
(HB 42 REPRESENTATIVE MONTGOMERY AND SENATOR MOUNT)**

**This will be a difficult holiday season for many in Louisiana, both psychologically and financially.** We can ease some of that financial strain by not collecting the four percent state sales tax on purchases by our citizens.

House Bill 42 by Representative Montgomery will create a three-day holiday on December 16<sup>th</sup>, 17<sup>th</sup>, and 18<sup>th</sup> from state sales taxes just before Christmas to help families and retail businesses.

**ENSURING THAT TAXPAYERS GET THE FULL BENEFIT  
OF FEDERAL DISASTER TAX RELIEF  
(HB 24 REPRESENTATIVE HAMMETT AND SENATOR MOUNT)**

**The federal government has made disaster relief tax credits available to stimulate job creation in the disaster areas.** Current Louisiana law would tax those incentives and reduce their effectiveness in creating jobs. This proposal preserves the full effect of the federal stimulus.

The additional income tax that would be collected without this proposal would be a windfall for the state since it was never anticipated that there would be disastrous hurricanes and new federal relief credits in response. Giving up the tax windfall adds to the incentive to create jobs in the disaster areas.

**CUTTING BUSINESS TAXES FOR AFFECTED BUSINESSES  
IN THE HARD-HIT PARISHES**

**One of Governor Blanco's first acts in office was to champion passage of the elimination of two taxes that made it difficult for new businesses to locate here ... and for existing businesses to expand.** The phase-out of the sales tax on manufacturing equipment and machinery and the tax on corporate debt are well under way.

House Bill 39 and House Bill 41 by Representative Hammett and Senator Mount expedites the phase out of these taxes for impacted businesses replacing damaged equipment or incurring new debt.

**ELIMINATING THE SALES TAX ON MANUFACTURING MACHINERY AND  
EQUIPMENT FOR IMPACTED BUSINESSES.  
(HB 39 REPRESENTATIVE HAMMETT AND SENATOR MOUNT)**

**Manufacturers were some of the hardest hit by the recent storms, and we need to motivate them to begin replacing their damaged and destroyed equipment immediately.** The savings realized by our manufacturers by relieving them of this particular tax will result in higher levels of investment spending in our state and increased employment and income in the state.

Effective upon signature by the Governor and continuing through June 30, 2007, the exemption applies to eligible manufacturers acquiring replacements for or repairs to hurricane-damaged equipment. The equipment could have been damaged by any of the conditions resulting from one of the hurricanes—wind, rain, flood, fire, or theft.

**ELIMINATING THE CORPORATE FRANCHISE TAX ON  
BUSINESS DEBT FOR HARD-HIT BUSINESSES  
(HB 41 REPRESENTATIVE HAMMETT AND SENATOR MOUNT)**

Companies of all kinds in the storm zone are working hard to reopen ... and many are borrowing money to do it. Freezing the tax on corporate debt at pre-storm levels essentially lowers the cost of borrowing money for these struggling companies.

The Governor's legislation encourages companies to begin rebuilding in devastated parishes. As businesses borrow capital to begin this process, they now have the incentive to begin rebuilding today. For existing companies in the parishes affected by Hurricanes Katrina and Rita, this new legislation allows the option of freezing the taxable amount of debt at pre-Katrina levels.

This option will be available for companies with 50% of property located in or 50% of revenues derived from the impacted parishes. Existing companies' new debt above the pre-Katrina levels would be exempt from the tax on borrowed capital.

**CUTTING INDUSTRY TAXES ON ELECTRICITY AND NATURAL GAS  
(HB 40 REPRESENTATIVE HAMMETT AND SENATOR MOUNT)**

Businesses pay state sales tax on their electricity and natural gas, something our residential consumer don't have to do. While many Louisiana businesses – some of our largest employers and most critical industries are struggling to recover from one or the other hurricane, they are saddled with HUGE energy bills. This legislation gives them a break.

Many Louisiana businesses need assistance to revive operations, and the state now provides that relief immediately by softening the impact of state sales taxes on high natural gas.

Legislation provides relief to industries severely impacted by high natural gas and electricity prices. It lowers the state sales tax rate on natural gas and utilities from 3.8 percent to 3.3 percent. The reduced rate is effective through June 30, 2009.

Some of the state's largest employers—from petrochemical companies and refineries to chemical and allied products manufacturers—rely heavily on natural gas for power. At a time when these companies face adversity resulting from natural disaster, the state has acted immediately to alleviate the costs associated with expensive natural gas.

Higher natural gas prices cause an increase in utility expenses for individual consumers. This legislation alleviates the pressure of high utility prices on residential and commercial customers.

**A STATE BUILDING CODE TO GUARANTEE SAFER HOMES AND BUILDINGS  
SB 44 SEN. HOLLIS AND REP. PINAC**

**Governor Blanco backed legislation to establish a uniform statewide building code for all residential and commercial properties.** These codes will provide reasonable safeguards for the health, safety, welfare, and security of building occupants.

**Minimum building standards are necessary to ensure the continued availability of affordable insurance.** The legislation requires enforcement of the codes by local jurisdictions and creates the

Louisiana State Uniform Construction Code Council to educate and certify the building officials that will enforce the standards.

**Evidence shows that the protective measures provided in the codes prolong the lifetimes of homes through storms, repaying initial costs through damage mitigation.** The International Code Council publishes the standards that will serve as the foundation of the Louisiana statewide codes. The International Building Code and International Residential Code have been adopted statewide in our hurricane-prone neighbors of Florida, Georgia, Texas, South Carolina, North Carolina and Virginia. Updates and amendments to the code will be open to public comment.

### **STRENGTHENING LOUISIANA'S ETHICS LAWS TO REQUIRE DISCLOSURE OF RECOVERY RELATED CONTRACT HB 9 REP. LAFLEUR AND SEN. HINES**

**Billions of dollars will be invested to rebuild Louisiana post Hurricanes Katrina and Rita.** With the eyes of the country and the federal government upon us, it is important that Louisiana meet the highest ethical standards in the expenditures provided to our state for the purposes of recovery.

The Legislature adopted Governor Blanco's proposal to require public officials to report receipt of disaster recovery money to the State Board of Ethics. Disclosure will apply to all contract or subcontract reimbursements made with federal funds either directly to the official or their immediate family or through a related financial interest.

**The disclosure applies in situations which are not banned under existing law.** Louisiana's Code of Governmental Ethics already prohibits appointed officials, members of their immediate family, and legal entities in which either owns more than 25%, from entering into a contract or subcontract under the supervision or jurisdiction of their agency. *For example, a member of the LA Recovery Authority may not contract with that Authority. The Secretary of DOTD may not contract with DOTD or a legislator's company may not enter into a subcontract on a DOTD project unless it is competitively bid or negotiated.*

**This legislation requires elected officials and appointed state officials to disclose to the Board of Ethics details of disaster related contracts or subcontracts reimbursed in whole or in part by federal funds.** Reports are due within 30 days of the effective date of the Act or 15 days of the contract, whichever occurs later, and, annually by February 15. Penalties for failure to timely file reports are \$100 per day.

### **STRENGTHENING PENALTIES FOR THOSE FAILING TO REGISTER AS A SEX OFFENDER SB 1, SEN. AMEDEE AND REP. CRAVINS, JR.**

**According to State Police, there were 6,724 sex offenders in Louisiana, of which 706 had not registered their new location as of the first week in November.** This new law proposed by Governor Blanco provides that sex offenders who are temporarily displaced from their residence due to an evacuation order or declaration of an emergency are required to re-register.

First conviction of failure to register provides for imprisonment of 2-10 years at hard labor without benefit of parole, probation or suspension of the sentence and a fine of \$1,000.

Second conviction provides for imprisonment for 5-20 years at hard labor without benefit of parole, probation or suspension of the sentence and a fine \$3,000.

## **PROVIDES FOR A SPECIAL ELECTION DATE FOR CONSTITUTION AMENDMENTS HB 27 SALTER AND HINES**

**Legislation proposed by Governor Blanco establishes Saturday, April 29, as a special statewide election date for the purpose of submitting constitutional amendments from the 2005 Special Session to a vote of the people.** An election date is needed prior to the end of the FY 05-06 fiscal year to implement constitutional amendments passed during the 2005 First Extraordinary Session.

Governor Blanco expects a constitutional amendment to be considered by the electorate regarding the Wetland Conservation and Restoration Fund. The next regularly scheduled statewide election is in the fall of 2006.

## **ADDRESSING LOUISIANA'S BUDGET SHORTFALL**

**After hurricanes Katrina and Rita devastated the state's tax base, the State's budget shortfall was \$959 Million, based on Revenue Estimating Conference forecast.**

**Governor Blanco issued an Executive Order to solve \$500 million of this shortfall.**

- \$431 Million in cuts
- \$70 Million in savings identified from existing freeze on hiring and spending
- \$3.8 Million in savings from the Incentive Fund

Governor Blanco's deficit reduction strategy includes \$153.8 Million from tapping one-third of the Budget Stabilization Fund ("Rainy Day" Fund) as authorized by the Constitution.

These actions left a deficit of \$300 Million. In HB 156, the Governor outlined reductions necessary to close this remaining gap—cuts that would result in more onerous reductions and disruption in service delivery to Louisiana's citizens.

As an alternative, Governor Blanco devised a plan to use the \$252 Million surplus from FY 2004-05 to fill the Rainy Day Fund—one of the options allowed for use of nonrecurring funds—so that the fund cap will be reached. This will allow an additional \$189.3 Million to flow over the cap into the State General Fund.

This strategy pared the shortfall to about \$110.8 Million which is addressed in HB 156 as follows:

- \$98.7 Million in cuts – many from utilization savings
- \$2.9 Million in reductions offered by the Legislative and Judicial Branches
- \$9.2 Million in addition savings and unused account balances

Spared from a second round of cuts are: higher education, K-12 accountability, public safety, indigent defense, juvenile justice, veterans' services, programs for elderly and developmentally disabled. Cuts to Medicaid private providers (including hospitals, nursing homes, and pharmacy providers) are lowered from \$95 Million in state funds to \$25 Million.

Expenditures critical to Louisiana's recovery and rebuilding efforts—the Transportation Trust Fund, the Wetlands Conservation & Restoration Fund, revenue sharing, supplemental pay to local police and firefighters, and the Rapid Response Fund—have been shielded from cuts in both the Executive Order and HB 156.

The \$500 Million in Executive Order cuts and freezes remains in place and reductions to urban and rural development programs and legislative line items stand.